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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

In re:

GYMBOREE GROUP, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 19-30258 (KLP)

(Jointly Administered)

**STIPULATION BY AND AMONG THE DEBTORS, THE DIP AGENT, AND THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS WITH RESPECT TO THE DIP BUDGET AND
RELATED MATTERS**

This stipulation (the “Stipulation”) is made and entered into, through their respective undersigned counsel, by and among (i) the above-captioned debtors-in-possession (the “Debtors”), (ii) Special Situations Investing Group, Inc., as administrative agent and collateral agent (the “DIP Agent”), for and on behalf of itself and the DIP Lenders, and (iii) the Official Committee of

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Gymboree Group, Inc. (6587); Gymboree Intermediate Corporation (1473); Gymboree Holding Corporation (0315); Gymboree Wholesale, Inc. (6588); Gym-Mark, Inc. (6459); Gymboree Operations, Inc. (6463); Gymboree Distribution, Inc. (8669); Gymboree Manufacturing, Inc. (6464); Gymboree Retail Stores, LLC (6461); Gym-Card, LLC (5720); and Gymboree Island, LLC (1215). The Debtors' service address is 71 Stevenson Street, Suite 2200, San Francisco, California 94105.

Unsecured Creditors (the “UCC” and collectively with the Debtors and the DIP Agent, the “Parties”).

Recitals

WHEREAS, on January 16, 2019 (the “Petition Date”), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the “Bankruptcy Code”).

WHEREAS, on January 17, 2019, the Court entered the *Interim Order (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection to the Prepetition Lenders, (V) Modifying Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief* [Docket No. 81] (the “Interim DIP Order”).

WHEREAS, on February 15, 2019, the Court entered the *Final Order (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection to the Prepetition Lenders, (V) Modifying Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief* [Docket No. 348] (the “Final DIP Order”).

WHEREAS, on March 4, 2019, the Court entered the *Order (I) Approving the Sale of Certain J&J Assets Free and Clear of Liens, Claims, Interests and Encumbrances and (II) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases in Connection Therewith, and (III) Granting Related Relief* [Docket No. 484] (the “JJ Sale Order”).

WHEREAS, on March 4, 2019, the Court entered the *Order (I) Approving the Sale of Certain Gymboree and Crazy 8 Assets Free and Clear of Liens, Claims, Interests and Encumbrances and (II) Approving the Assumption and Assignment of Executory Contracts and*

Unexpired Leases in Connection Therewith, and (III) Granting Related Relief [Docket No. 487] (the “Gym/Crazy 8 Sale Order”, and together with the JJ Sale Order, the “Sale Orders”).

WHEREAS, on March 5, 2019, the Debtors filed *Notice of Closing Date of J&J Sale* [Docket No. 494] (the “J&J Sale Closing Notice”).

WHEREAS, on or before March 9, 2019, the Debtors (with the permission of the DIP Lender) used cash collateral and/or sale proceeds to “true up” the Professional Fee Escrow (as defined below) for any unpaid amounts budgeted and/or incurred by the Case Professionals (as defined in the Final DIP Order) as of such date *less* \$1.5 million with respect to the fees earned and expenses incurred by the Debtors’ professionals.

WHEREAS, on April 4, 2019, the Debtors filed *Notice of Closing Date of Sale of Gymboree and Crazy 8 Assets to TCP Brands, LLC* [Docket No. 614] (the “Gym/Crazy 8 Sale Closing Notice”, and together with the J&J Sale Closing Notice, the “Sale Closing Notices”).

WHEREAS, the Parties wish to memorialize their understanding regarding certain matters with respect to the use of estate cash, the DIP Budget and related matters.

NOW THEREFORE, THE PARTIES HEREBY STIPULATE AND AGREE AS FOLLOWS:

1. Attached hereto as **Exhibit A** shall constitute the approved budget (“Approved Budget”) in the manner contemplated by DIP Agreement (as defined herein).
2. The DIP Loans will be paid down by \$100 million from the proceeds of the sales approved pursuant to the Sale Orders within one business day (the “Payment Date”) following the date on which this Stipulation has been fully executed. The Debtors may make additional payments of principal on the DIP Loan, subject to the Debtors’ prior satisfaction of the Specified

Obligations and the monetization of the Debtors' lease at 71 Stevenson Street, San Francisco, California 94105.

3. The DIP Agent² will utilize its best efforts (and the Debtors will support the DIP Agent in such efforts) to provide (or to cause an affiliate of the DIP Agent to provide, including from a regulated bank affiliate) back-to-back and/or replacement letters of credit (or a substantially similar structure) (the "Replacement Letters of Credit") with respect to the letters of credit issued by Bank of America, National Association (the "Prepetition ABL Agent"), which were cash collateralized pursuant to the Interim DIP Order and supported by the Debtors' customs bonds (the "Subject Letters of Credit"), such that the cash collateral securing the Subject Letters of Credit can be released for the benefit of the estates (the "LC Monetization") on or before April 19, 2019. The Replacement Letters of Credit shall not be secured by cash collateral. Without limiting the foregoing, after May 9, 2019, the Debtors shall have discretion (to the extent the LC Monetization has not yet occurred) to engage in efforts and, upon three (3) business days' written notice to the DIP Agent and the UCC (with copy by email to counsel of record for each), enter into transactions to monetize the Subject Letters of Credit for the benefit of the estates, and the DIP Lender agrees to support such efforts and transactions unless the DIP Agent believes the Debtors are acting unreasonably (including, without limitation, by entering into a transaction that results in the estates receiving less than reasonable value in connection with such monetization), in which case the DIP Agent may seek relief from the Court on an expedited basis to prevent the Debtors from consummating any transaction; provided, however, that nothing herein shall relieve the Debtors of any obligation under the Bankruptcy Code (including, without limitation, under Section 363) to

² Each capitalized term used but not defined herein has the meaning set forth in the Superiority Secured Debtor-in-Possession Credit Agreement dated as of January 18, 2019 (as the same may be amended, extended, restated, supplemented, waiver or otherwise modified from time to time, the "DIP Agreement").

seek and receive Court approval with respect to any transaction entered into outside of the ordinary course of business.

4. Upon the occurrence of the LC Monetization, the Debtors shall pay all outstanding WARN Act obligations and fully fund the Professional Fee Escrow, including the deferred amounts discussed in the foregoing paragraph (the “Specified Obligations”).³ The DIP Agent acknowledges and agrees that upon the occurrence of the LC Monetization (whether before or after the date specified in paragraph 3 above), the Debtors may use cash collateral to satisfy the Specified Obligations and that the DIP Agent consents to, and shall not object to or otherwise oppose, the use of cash collateral for such purpose.

5. As soon as practicable following the Payment Date, the Debtors shall pay all outstanding amounts of “stub rent” for the period from the Petition Date through the end of January 31, 2019 in the amount set forth in the Approved Budget (the “January Rent”). The Challenge Deadline (as defined in the Final DIP Order) shall be extended to April 30, 2019, unless further extended by agreement of the parties hereto or by Order of Court. Upon the timely payment of the January Rent, the Challenge Deadline (as defined in the Final DIP Order) with respect to the UCC will be deemed to have terminated. In exchange for the promises set forth herein, the UCC agrees that (a) it will not bring a Challenge (as defined in the Final DIP Order) on or before April 12, 2019, and (b) it will not bring a Challenge at any time after the budgeted January Rent has been paid in full.

6. The DIP Agent, on behalf of itself and the DIP Lenders, confirms that (i) it supports the Debtors’ payment of the outstanding fees of the Debtors’ and UCC’s professionals that have

³ The Debtors hereby represent and warrant that, to the best of their knowledge, the amount set forth in the Approved Budget is sufficient to satisfy, among other things, any and all existing WARN Act related liabilities and amounts that are owed or otherwise payable by the Debtors or their estates.

been submitted to the Court and (ii) the success and transaction fees as contemplated by the respective engagement letters of Miller Buckfire & Co., LLC and its affiliate, Stifel, Nicolaus & Co., Inc. (collectively, “Miller Buckfire”) and Berkeley Research Group, LLC (“BRG”) and as delineated in the Approved Budget have been fully earned.

7. All professional fees to be escrowed or reserved hereunder or under the Final DIP Order shall be maintained in an escrow account maintained at Citibank (the “Professional Fee Escrow”), which shall serve as the Fee Reserve Account (as such term is defined in the Final DIP Order) and shall not be property of the estates.

8. The DIP Agent confirms that overages and underages (as compared to the amounts contained in the Approved Budget) with respect to Case Professional’s fees and expenses can be applied during any Testing Period and will be tested on a cumulative basis across all Case Professionals for variance testing purposes.

9. The DIP Agent, for and on behalf of the DIP Lenders, hereby waives all Events of Default occurring on or prior to the date hereof under the Credit Agreement (collectively, the “Existing Defaults”). For avoidance of doubt, the waiver of the Existing Defaults shall not constitute a waiver of any future Events of Default occurring after the date hereof.

10. Any actual savings realized against the amounts set forth in the Approved Budget, together with any excess cash that is not necessary to pay budgeted expenses set forth in the Approved Budget (as determined by the parties in good faith), in each case, as measured at the end of the Store Closing Sale period, shall be used to pay down the DIP Loan immediately upon reconciliation.

11. The DIP Agreement and the Final DIP Order shall be deemed amended by this Stipulation to provide for the foregoing. Notwithstanding anything in the Sale Orders or Final DIP

Order, the Parties consent to the terms of this Stipulation, including with respect to the use of the proceeds of the sales.

12. The UCC agrees to use commercially reasonable efforts to negotiate and support a mutually acceptable plan of reorganization with the Parties.

13. This Stipulation constitutes the entire agreement among the parties hereto regarding the subject matter hereof.

14. This Stipulation may be executed in one or more counterparts and by facsimile or electronic copy, all of which shall be considered effective as an original signature.

15. The parties acknowledge that this Stipulation is their joint work product and that, accordingly, in the event of ambiguities in this Stipulation, no inferences shall be drawn against either party on the basis of authorship of this Stipulation.

16. The Bankruptcy Court shall retain exclusive jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Stipulation.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF and in agreement herewith, by and through the undersigned,
the Parties have executed and delivered this Stipulation as of the date first set forth below.

Dated: April 9, 2019

/s/ Evan R. Fleck

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Exhibit A

Project Gemstone																			
Cash Flow Summary																			
(\$ in 000's)																			
Forecast / Actual	01/19	01/26	02/02	02/09	02/16	02/23	03/02	03/09	03/16	03/23	03/30	04/06	04/13	04/20	04/27	Total Weekly	Wind	Remaining	Grand Total
	Act	Act	Act	Act	Act	Act	Act	Act	Act	Act	Act	Fcst	Fcst	Fcst	Fcst	Forecast	Down	Claims	
Collections																			
JJ Sale (Excl. Direct Wire to JV)	-	-	-	-	-	-	1,645	43,915	-	-	-	-	-	-	-	45,560	-	-	45,560
GYM & C8 IP Sale	-	-	-	-	-	-	-	-	11,100	-	-	64,900	-	-	-	76,000	-	-	76,000
Stores and E-Commerce	2,597	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,597	-	-	2,597
Inventory Liquidation Proceeds	136,796	-	-	-	-	-	-	-	-	-	-	-	9,271	-	-	146,067	-	-	146,067
Augment	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000	-	-	2,000
FF&E Proceeds	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	750	-	1,750
LC Recovery / Monetization	-	-	-	-	-	-	-	-	-	-	-	-	-	5,500	-	5,500	9,280	-	14,780
Liquidator Expense Funding	12,353	-	1,823	5,670	1,593	7,384	2,990	3,474	3,789	5,489	4,830	3,526	3,112	2,799	1,396	60,229	222	-	60,451
Other Receipts	593	178	631	6	296	128	67	59	4	-	58	-	-	-	-	2,020	500	-	2,520
Total Collections	155,339	178	2,454	5,676	1,889	7,512	4,702	47,448	14,893	5,489	4,888	68,426	12,383	8,299	1,396	340,972	10,752	-	351,725
Operating Disbursements																			
Freight, Duty, Shipping & DC Processing	(1)	(1,478)	(3,550)	(1,196)	(211)	(4,557)	(1,342)	(669)	(675)	(2,491)	-	(431)	(102)	-	-	(16,702)	-	-	(16,702)
Payroll & Related	(17)	(7,152)	(688)	(6,857)	(812)	(6,996)	(1,784)	(5,557)	(427)	(4,372)	(316)	(3,858)	(1,185)	(3,037)	(1,618)	(44,673)	(1,501)	-	(46,174)
Other Operating Disbursements	(9)	(225)	(425)	(628)	(247)	(109)	(902)	(273)	(961)	(1,189)	(1,660)	(605)	(929)	(454)	(1,318)	(9,932)	(5,679)	-	(15,611)
Occupancy (Stores, HQ, & DC)	-	-	(9,179)	(1)	-	(43)	(461)	(3,373)	(146)	(2,016)	(2,908)	(1,362)	(1,288)	(1,049)	(1,404)	(23,230)	(1,200)	-	(24,430)
Sales & Other Taxes	-	(1,709)	-	-	-	(2,500)	(2,937)	(84)	(381)	-	-	-	-	-	(1,500)	(9,111)	-	-	(9,111)
Total Operating Disbursements	(28)	(10,563)	(13,842)	(8,682)	(1,269)	(14,204)	(7,427)	(9,956)	(2,590)	(10,067)	(4,883)	(6,256)	(3,504)	(4,539)	(5,839)	(103,648)	(8,380)	-	(112,028)
Non-Operating Disbursements																			
Professional Fees & Escrow Funding	(2,280)	-	(1,325)	(2,451)	(1,321)	(1,126)	(1,126)	(7,266)	(910)	-	(1,474)	(652)	(652)	(2,161)	(1,111)	(23,855)	(3,488)	-	(27,343)
Donation Liability	-	-	-	-	(618)	-	-	-	-	-	-	-	-	-	-	(618)	-	-	(618)
Inventory Taking	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility Deposits	-	-	(410)	-	-	-	-	-	-	-	-	-	-	-	-	(410)	410	-	-
Stub Rent	-	-	-	-	-	-	-	-	-	-	-	-	(3,015)	-	-	(3,015)	-	-	(3,015)
503(b)(9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,000)	(9,000)
Employee Programs	-	-	-	-	-	-	-	-	-	(1,535)	-	(86)	(581)	(4,822)	(680)	(7,704)	-	-	(7,704)
Return Canada Proceeds Funded to US	-	-	(1,900)	-	-	-	-	-	-	-	-	(712)	-	-	-	(2,612)	-	-	(2,612)
Total Non-Operating Disbursements	(2,280)	-	(3,635)	(2,451)	(1,938)	(1,126)	(1,126)	(7,266)	(910)	(1,535)	(1,474)	(1,450)	(4,249)	(6,983)	(1,791)	(38,214)	(3,078)	(9,000)	(50,292)
Net Book Cash Flow Before Financing	153,032	(10,385)	(15,023)	(5,457)	(1,319)	(7,819)	(3,851)	30,226	11,394	(6,113)	(1,469)	60,720	4,631	(3,223)	(6,234)	199,110	(706)	(9,000)	189,404
Financing Activity																			
GS DIP Tranche A - Funding / (Pay Down)	10,000	-	-	-	-	-	-	-	-	-	-	-	(10,000)	-	-	-	-	-	-
GS DIP Tranche B	-	7,475	4,863	1,923	479	4,620	641	-	-	-	-	-	(955)	-	-	19,044	-	(19,044)	-
GS Roll Up	-	-	-	-	-	-	-	-	-	-	-	-	(89,045)	-	-	(89,045)	-	-	(89,045)
Revolver Pay Down	(80,702)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(80,702)	-	-	(80,702)
Cash Collateralize LCs (105% of Face Value)	(44,632)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(44,632)	-	-	(44,632)
Other Fees and Reserves	(877)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(877)	-	-	(877)
DIP Fees & Interest	(700)	-	-	-	-	(1,236)	-	-	-	-	-	-	-	-	-	(1,936)	-	(2,015)	(3,951)
Net Book Cash Flow After Financing	36,121	(2,910)	(10,161)	(3,534)	(840)	(4,435)	(3,209)	30,226	11,394	(6,113)	(1,469)	60,720	(95,369)	(3,223)	(6,234)	963	(706)	(30,059)	(29,802)
Cash Balance																			
Beginning Book Cash Balance	1,332	37,453	34,543	24,382	20,848	20,008	15,573	12,364	42,590	53,984	47,871	46,915	107,635	12,266	9,043	1,332	2,808	2,102	1,332
Net Cash Flow	36,121	(2,910)	(10,161)	(3,534)	(840)	(4,435)	(3,209)	30,226	11,394	(6,113)	(1,469)	60,720	(95,369)	(3,223)	(6,234)	963	(706)	(30,059)	(29,802)
Cash Flow True Up	-	-	-	-	-	-	-	-	-	-	513	-	-	-	-	513	-	-	513
Ending Cash Balance	37,453	34,543	24,382	20,848	20,008	15,573	12,364	42,590	53,984	47,871	46,915	107,635	12,266	9,043	2,808	2,808	2,102	(27,957)	(27,957)
Anticipated Ordinary Business Expense Shortfalls																			
Corporate Rent	-	-	461	33	-	-	371	-	-	-	353	-	-	-	109	1,326	-	-	1,326
Non Reimburseable Corp Personnel Exp.	-	5,824	449	1,216	169	995	641	-	-	767	304	361	-	384	-	11,111	-	-	11,111
Customs & Freight	-	1,277	3,459	315	210	3,618	-	-	-	-	-	-	-	-	-	8,879	-	-	8,879
Prepetition AP (OpEx)	-	373	468	360	125	5	-	-	-	-	-	-	-	-	-	1,330	-	-	1,330
Other (Suntrust Banking Fee)	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-	2	-	-	2
Total	-	7,475	4,838	1,923	504	4,620	1,012	-	-	767	657	361	-	384	109	22,649	-	-	22,649

Note: excludes Gap TSA funding and disbursement and collections / pass through of collections for liquidating stores